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September 21, 2009

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **AUTOMATED CASE MANAGEMENT SYSTEMS, INC. CONTRACT
REVIEW – A DEPARTMENT OF PUBLIC HEALTH HIV/AIDS SERVICES
PROVIDER**

We completed a fiscal review of Automated Case Management Systems, Inc. (ACMS or Agency), a Department of Public Health (DPH) HIV/AIDS services provider.

Background

The DPH's Office of AIDS Programs and Policy (OAPP) contracts with ACMS, a for-profit corporation to provide and maintain for OAPP a centralized HIV/AIDS data management system which includes user support, training and programming. ACMS' office is located in the Third District.

At the time of our review, ACMS had one fixed-fee contract with OAPP. OAPP paid ACMS approximately \$950,000 from March 2006 to September 2007 and \$600,000 from March 2007 to February 2008.

Purpose/Methodology

The purpose of our review was to determine whether ACMS appropriately spent funds in accordance with the County contract. We also evaluated the adequacy of ACMS' accounting records, internal controls and compliance with the contract and applicable federal and State fiscal guidelines governing the Ryan White Comprehensive AIDS Resource Emergency Act.

Results of Review

The Agency appropriately recorded and deposited cash receipts timely in the Agency's bank account. However, the Agency did not identify expenditures by program. Subsequent to our review, ACMS made changes to their accounting process. We will review ACMS' expenditures during our follow-up review.

The details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with ACMS and DPH. In the attached response, ACMS agreed with our findings and recommendations.

We thank ACMS for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Jonathan E. Fielding, Director, Department of Public Health
Andrae Corrigan, President, Automated Case Management Systems, Inc.
Public Information Office
Audit Committee

**AUTOMATED CASE MANAGEMENT SYSTEMS, INC.
HIV/AIDS SERVICE PROVIDER
FISCAL YEARS 2006-07 AND 2007-08**

CASH/REVENUE

Objective

Determine whether cash receipts and revenue are properly recorded in the Agency's accounting records and deposited timely into the Agency's bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed the Agency's personnel and reviewed their financial records. We also reviewed the Agency's July, August and September 2007 bank reconciliations for two bank accounts.

Results

ACMS appropriately recorded and deposited cash receipts timely.

Recommendation

None.

COST ALLOCATION PLAN

Objective

Determine whether ACMS' Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

Verification

We reviewed ACMS' Cost Allocation Plan, interviewed management and reviewed their financial records.

Results

ACMS' Cost Allocation Plan complied with the County contract requirements.

Recommendation

None.

EXPENDITURES/COST REPORT**Objective**

Determine whether program expenditures were allowable under the County contract, properly documented and accurately billed. In addition, determine if the Agency's Cost Report reconciles to the general ledger.

Verification

We interviewed Agency personnel and reviewed the Agency's accounting records for March 2006 to September 2007 and reviewed the Agency's Cost Report for the period ended February 2007.

Results

ACMS did not maintain separate cost center for OAPP's program expenditures. As a result, their accounting records did not reconcile to the \$600,000 total program expenditures reported in the cost report for the period ending February 2007 and the \$350,000 billed during March 2007 to September 2007.

Subsequent to our exit conference, ACMS provided accounting records to support program expenditures for the \$950,000 (\$600,000 + \$350,000).

Recommendations**ACMS management:**

1. Maintain separate accounts to identify expenditures related to the OAPP program.
2. Ensure that program expenditures billed to OAPP are clearly supported by the Agency's accounting records.

FIXED ASSETS/EQUIPMENT**Objective**

Determine whether the Agency's fixed assets and equipment purchases made with OAPP funds are used for the OAPP program and are safeguarded.

Verification

We interviewed Agency personnel and reviewed supporting expenditure documentation.

Results

ACMS did not use OAPP funding to purchase any fixed assets or equipment during our review period.

Recommendation

None.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures were appropriately charged to the program. In addition, determine whether personnel files are maintained as required.

Verification

We reviewed payroll records and time reports for five employees for September 2007. We also reviewed personnel files of staff assigned to OAPP activities.

Results

Generally, ACMS maintained the required personnel records and time reports for employees. However, as mentioned above, the Agency did not account for program expenditures separately in their accounting records.

Recommendation

Refer to Recommendations 1 and 2.



April 21, 2009

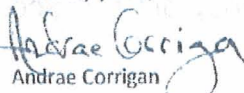
Wendy L. Watanabe
Auditor-Controller
County of Los Angeles
Department of Auditor-Controller
500 West Temple Street, Room 525
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Dear Ms. Watanabe:

This letter is in response to the Automated Case Management System, Inc. contract review which we received on April 20, 2009. Per the auditor's recommendations we changed our accounting system to track expenditures specific to our contract with the Office of AIDS Programs and Policy. Once the entries were re-coded we submitted a record of the expenditures to the auditor. This fact was noted in the audit review.

We will continue to code these expenditures and payroll/personnel appropriately within our general ledger.

Sincerely yours,


Andrae Corrigan
President

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